

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



December 12, 2008

Matt Burkhart
Vice President, Electric and Gas Procurement
San Diego Gas & Electric Company
8315 Century Park Ct.
San Diego, CA 92123

Dear Mr. Burkhart,

The Energy Division of the California Public Utilities Commission (Commission) approves San Diego Gas and Electric Company's (SDG&E) November 20, 2008 request for penalty waiver.

Compliance year 2009 Local Resource Adequacy (RA) obligations were established for all LSEs in Commission Decision (D.) 08-06-031. In D.06-06-064, the Commission established waiver provisions for LRA procurement. On November 20, 2008, SDG&E submitted its year-ahead Local RA compliance filing, showing a deficiency of 2.5 MW in the San Diego local area; SDG&E also submitted a request for penalty waiver for this deficiency pursuant to D.06-06-064.

Section 3.3.12 of D.06-06-064 describes a standard that an LSE may use to demonstrate that it could not reasonably achieve its LCR obligation¹:

(1) a demonstration that the LSE reasonably and in good faith solicited bids for its RAR capacity needs along with accompanying information about the terms and conditions of the Request for Offer or other form of solicitation, and

(2) a demonstration that despite having actively pursued all commercially reasonable efforts to acquire the resources needed to meet the LSE's local procurement obligation, it either

(a) received no bids, or

(b) received no bids for an unbundled RA capacity contract of under \$40 per kW-year or for a bundled capacity and energy product of under \$73 per kW-year, or

(c) received bids below these thresholds but such bids included what the LSE believes are unreasonable terms and/or conditions, in which case the waiver request must demonstrate why such terms and/or conditions are unreasonable.

SDG&E solicited bids for capacity to meet its LCR, via an RFO on October 22, 2008. The RFO did not receive sufficient bids to meet SDG&E's LCR. At the time of the RFO, SDG&E was short. It received bids in its RFO,

¹ D.06-06-064, pg 73

and procured all of the capacity offered. SDG&E did not receive bids for any further local capacity, and therefore, after this procurement, SDG&E remained short by 2.5 MW in the San Diego Local Area.

Energy Division has reviewed SDG&E's actions and finds them reasonable considering the capacity available to meet SDG&E's LCR obligation. In this case, Energy Division does not believe efforts beyond the issued RFO would have resulted in additional capacity being procured. Energy Division grants SDG&E's request for a waiver of Commission penalties related to its year-ahead 2009 Local RA procurement.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. A. Fitch', with a stylized flourish at the end.

Julie Fitch, Director
Energy Division